

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 885 - SB 1561

March 30, 2009

SUMMARY OF BILL: Authorizes local governments or local education agencies to create a promise zone under the direction and approval of the Department of Revenue (DOR). Entities creating these zones shall create a promise zone authority to manage the program. Creating entities will give college scholarships to students living within the zone and who graduate from a high school within the promise zone or receive their general education diploma (GED). A portion of the sales and use tax earmarked for education shall be used to fund these scholarships. Authorizes the use of other local funding for scholarships.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Not Significant

Increase Local Expenditures – Exceeds \$100,000,000*

Other Fiscal Impact – A portion of state education taxes earmarked for education will transfer into a dedicated fund for promise zone scholarships. Such a transfer in funds is dependent upon the number of students living within the promise zone and the portion of the state education tax that would have been otherwise received. The amount of scholarship money required if 10 percent of at-risk children participate in a promise zone will be approximately \$295,550,000. It is unknown if a shift in funds from the state education sales and use tax would be sufficient to fully fund a promise zone.

Assumptions:

- Any increase in state expenditures to the DOR to guide and approve promise zones is estimated to be not significant.
- There are approximately 58,140 high school seniors in the state. The average annual state tuition is \$5,911. If 10 percent of those (5,814) participate in a promise zone program annually, the cost would be approximately \$343,665,540. It is estimated high school population will

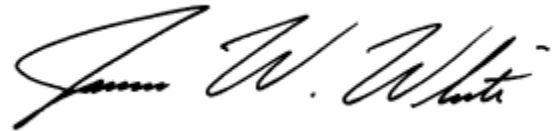
increase 3.5 percent every three years. Therefore it is conservatively estimated that the shift in funds from the state education tax or other local funds to a promise zone scholarship fund will exceed \$100,000,000 annually.

- If 10 percent of at-risk students (50,000) participate in this program annually, the approximate cost will be \$295,550,000 (50,000 x \$5,911).
- Local governments or LEAs will increase their expenditures by the amount of the scholarship monies that they would have otherwise received to make up for the transfer in funding. Such an increase is estimated to exceed \$100,000,000 annually.
- It is unknown how many local governments or LEAs will create a promise zone.
- It is unknown how much the director of a local promise zone program will be paid annually.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

/msg